

Message

From: McKim, Krista [mckim.krista@epa.gov]
Sent: 1/6/2017 3:57:30 PM
To: Geselbracht, Jeanne [Geselbracht.Jeanne@epa.gov]; Suriano, Elaine [Suriano.Elaine@epa.gov]
Subject: RE: From Greenwire -- MINING: Fight over minerals heats up in Minn.'s North Woods

Thank you for sending! Jeanne, I'm sure you remember Nancy from the Tribal training course.

Also – Jeanne, from the NEPA perspective, what would be your reaction to the state deciding not to put the water quality based effluent limits in to the NPDES permit that the NEPA documents were based on? as in, the NEPA review was based on the company meeting X mg/L of a certain parameter, but now the state is saying they won't put that limit into the permit? I'll ask the NEPA program here too but would like to hear your perspective.

From: Geselbracht, Jeanne
Sent: Thursday, January 05, 2017 5:48 PM
To: McKim, Krista <mckim.krista@epa.gov>; Suriano, Elaine <Suriano.Elaine@epa.gov>
Subject: FW: From Greenwire -- MINING: Fight over minerals heats up in Minn.'s North Woods

Jeanne Geselbracht
Environmental Review Section (ENF-4-2)
U.S. EPA Region 9
75 Hawthorne Street
San Francisco, CA 94105

Phone: (415) 972-3853

From: geselbracht.jeanne [mailto:email_this@eenews.net]
Sent: Thursday, January 05, 2017 3:44 PM
To: Geselbracht, Jeanne <Geselbracht.Jeanne@epa.gov>
Subject: From Greenwire -- MINING: Fight over minerals heats up in Minn.'s North Woods

This Greenwire story was sent to you by: geselbracht.jeanne@epa.gov

Greenwire

AN E&E NEWS PUBLICATION

MINING

Fight over minerals heats up in Minn.'s North Woods

Nick Bowlin, E&E News reporter

Published: Thursday, January 5, 2017



The Boundary Waters Canoe Area Wilderness is a national forest. The surrounding region has rich deposits of copper, nickel, iron and other minerals. Photo courtesy of Wikipedia.

Vast deposits of copper and nickel lurk beneath the pristine forests of northern Minnesota, where a mining company has long dreamed of building a 700-foot pit mine to environmentalists' horror.

In recent weeks, the company — Polymet Mining Corp. — has made substantial progress toward that goal.

Late last year, Polymet submitted an application for a permit to mine, initiating a state review and fresh skirmishes with mine opponents. At more than 15,000 pages, the application — the first of its kind for a copper and nickel mine in state history — offers the best picture, to date, of how Polymet would operate the \$650 million project ([Greenwire](#), Nov. 7, 2016).

"It's probably the most significant step this company has taken" save for completion of a final environmental impact statement last year, said Bruce Richardson, Polymet's vice president of corporate communications and external affairs.

But for some critics, the document is as notable for the questions raised as those answered.

"There's incredible detail on some things that are unimportant, and there's a lot of vagueness around some things that are very important," said Aaron Klemz, advocacy director at Friends of the Boundary Waters Wilderness.

Chief among the critics' concerns: whether the company will properly treat contaminated water at the mine site and how the little-known company's finances and insurance would hold up in case of environmental disaster.

The proposed mine site is positioned in a watershed south of Hoyt Lakes, Minn., which flows into Lake Superior, and south of the Boundary Waters Canoe Area, a protected million-acre wilderness.

Mine opponents fear environmental degradation and have long sought details on how much Polymet will be required to pay for reclamation and pollution insurance. Copper and nickel mining is more potentially damaging than the extraction of taconite or iron ore — the two minerals historically mined in Minnesota's "iron range" — because they must be processed from sulfide ore that can result in acid runoff, mercury and heavy metal waste.



Map by E&E News.

The latest permit application contains the company's first concrete financial assurance proposal: \$12 million for the first year, \$44 million for the second and \$197 million for long-term water treatment costs once mining begins and to cover mine closure and reclamation costs.

Klemz and other environmentalists say Polymet's financial assumptions drastically underestimate potential risks, possibly saddling the state with part of the cleanup bill. The EIS estimates \$200 million for closing the mine and between \$3 million and \$6 million yearly after that to treat wastewater from the site.

"It's a pay-as-you-go scheme that depends on everything turning out swimmingly for them, and that to us is a problem, because the history in that regard is not kind to these projects," said Kevin Lee, an attorney for the Minnesota Center for Environmental Advocacy, a nonprofit law firm. "If it falters, all of a sudden it becomes a Superfund site that they can't pay for and that [taxpayers] have to pay for."

According to Lee, the state should demand a fully funded pollution cleanup deposit from the outset. His firm is in the process of reviewing the permit application.

"There's a reason why when you rent an apartment, you have to put a damage deposit up front," he said. "This is the one time where the state has any sort of meaningful leverage over the mining company."

The company disputes this claim. Richardson said the proposed financial instruments — a mix of bonds, letters of credit and other instruments — will guarantee the necessary funds.

"The 197 million is there — is at the state's disposal from day one," he said.

The state is reviewing the application, and officials would not comment on the viability of Polymet's proposal. But Barb Naramore, assistant commissioner of Minnesota's Department of Natural Resources, said the state would not approve a permit unless it is fully funded.

"It is a requirement that there is bankruptcy-proof financial insurance," she said.

The latest arguments aren't new. The Polymet mine, known as NorthMet, has been a source of conflict for more than a decade. State officials completed an initial EIS in 2009 after a four-year process. A public comment period ensued that brought a groundswell of opposition from local environmentalists and tribes.

In 2010, U.S. EPA gave the proposal its lowest ranking: "environmentally unacceptable." Three years later, Polymet submitted an updated proposal, receiving a higher EPA rating, "environmental concerns," in 2014. The company submitted the final EIS in November 2015, and the state validated it in March 2016.

Water treatment: How will it work?

While the mine operates, Polymet plans to treat contaminated water using a reverse osmosis system, which treats wastewater by forcing it through a porous membrane. When the mine site is active, contaminated water will drain southeast toward the St. Louis River and Lake Superior. But some form of treatment must continue for centuries after the mine closes, according to the EIS.

Nancy Schuldt, the water projects coordinator for the Fond du Lac Band of Lake Superior Chippewa, said she has no confidence in state agency oversight of Polymet's water treatment. Fond du Lac's land is downstream of the mine site, and the tribe has fought the mine for more than a decade.

"That is quite clear that the regulation of the mining industry is almost nonexistent when it comes to water quality," she said.

The permit offers few answers. Regarding post-closure water treatment, the permit reads: "PolyMet will test and assess the suitability of nonmechanical treatment technologies and the timing for implementing such technologies."

The vagueness is a problem, said Lee, when mining companies have little financial incentive to fund cleanup after mining ends.

"You're relying on a corporation to be able to fund cleanup at a point in their corporate life when they've extracted every penny that they can from this resource," he said.

If the permit were accepted, the state would require Polymet to test nonmechanical treatment methods during operations, according to Naramore, but the permit could be accepted without a concrete post-closure treatment plan.

Polymet maintains that the state's validation of its final EIS last year proves its capacity to treat contaminated water.

But Naramore said the EIS validation does not indicate approval of the project; it confirms the company has followed procedure.

"When we decide an EIS is adequate, we're not saying that the project is permissible or that the project is good," said Naramore. "What we're saying is that the EIS did an adequate job disclosing the potential environmental effects of a proposed project."

Again, Naramore would not disclose the state's opinion on the matter, saying only that Polymet must meet water standards and that the matter is under review.

Can Polymet pay for it?

Polymet was formed with the sole purpose of mining the NorthMet site, and the company has survived the long permitting process on third-party investment and credit. It has no other projects. With no income sources, questions persist about whether it could pay the hundreds of millions of dollars required to complete the project if the permit application were accepted.

Polymet is "very thinly capitalized" and "living hand to mouth," according to John Gappa, a chief financial officer in the Minneapolis area. Gappa has analyzed Polymet's finances over the years, met with state DNR officials and testified before the state House of Representatives on the issue.

The company's situation is not unusual for a company of its size, according to Naramore.

"It's not uncommon in the mining world for a junior mining company to bring a project through exploration and the environmental review process and permitting to not be sufficiently capitalized to actually complete mine development," she said, adding that the state will "rigorously" review its financial capacity.

This review depends, in part, on third-party assurances backing the mine. On that point, the company has a distinct advantage: a powerful financial backer with interest in seeing the project through. Glencore PLC, the Swiss mining giant, is Polymet's primary shareholder with 28.4 percent of the junior company's stock. That stake could rise to 37 percent under the terms of a loan agreement signed last spring.

For that backing and other reasons, Polymet argues the project is an attractive investment for third parties. Richardson described "significant" interest in the project from investors around the world, and the company has mining and processing infrastructure in place. It owns an industrial site in northern Minnesota once operated by the now-defunct LTV Steel.

Mine critics and Polymet are also divided on the future of the copper market, which has rebounded somewhat from a tumble in 2015 caused by excess supply and slowing Chinese demand. The market remains sluggish, though, and copper mines around the world have been taken offline, including many owned by Glencore. Gappa suggests that Glencore would restart those mines before beginning work in Minnesota.

Both copper and nickel prices are below Polymet's financial projections on return at the project's inception.

"The site is financially unviable" in the current market, Gappa said.

But mines are long-term investments, and some analysts predict an impending copper deficit as the market adjusts from the 2015 slump.

"There's a lot of indicators that [three to four years from now] would be about the time when the copper deficit has grown, and we expect that will be a favorable time to bring the mine online," Richardson said. "This is a good time to build a mine."

Mine critics are not reassured.

"There are a whole bunch of really questionable financial parameters associated with this project that give me no confidence it can be built and operated and reclaimed without severe and permanent damage to the environment," Schuldts said.

Schuldts and Klemz speculate that Polymet plans to sell the permit to a larger, better-financed mining company if the application is approved.

A long way to go

While the permit application is an advance for Polymet and a concern for environmental advocates, hurdles remain in the approval process. The state still must review the document, which will take several months, and the project must pass two separate federal reviews.

Although Polymet owns the mineral rights at the proposed mine site, it does not own the surface land. That land belongs to the U.S. Forest Service, and the agency must pass judgment on a land exchange with Polymet. The mining company would have to acquire an equivalent parcel of land and transfer it to the agency. And because several hundred acres of wetlands would be destroyed to build and operate the mine, the Army Corps of Engineers also would have to approve the permit. It is waiting for the state's decision before starting its own review.

For now, the company and its opponents will wait on the state's decision. And even if the application is approved, mine opponents say they will continue the fight at both state and federal levels.

"It's all about exploiting and developing the state's mineral resources to make a buck," Schuldts said.

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E&E News

122 C Street NW 7th Floor Washington, DC 20001

Phone: 202-628-6500 Fax: 202-737-5299

www.eenews.net

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